

**REPORT OF THE
FINANCE COMMITTEE OF THE
BOARD OF DIRECTORS OF THE
COOK COUNTY HEALTH AND HOSPITALS SYSTEM**

JULY 18, 2008

ATTENDANCE

Present: Chairman David Carvalho and Directors Quin R. Golden; Luis Muñoz, MD; Heather O'Donnell; and Jorge Ramirez (5)

Absent: Chairman of the Board Warren L. Batts (1)

Also Present: Director Jerry Butler; Pitt Calkin – Interim Chief Financial Officer, Cook County Bureau of Health Services; Matthew B. DeLeon – Secretary to the Board of Commissioners of Cook County; Leslie Duffy – Director of Procurement, Cook County Bureau of Health Services; Patrick T. Driscoll, Jr. – Deputy State's Attorney, Chief, Civil Actions Bureau, Office of the State's Attorney; Donna Dunnings – Chief Financial Officer of Cook County; Dorothy Loving – Chief Financial Officer, Provident Hospital of Cook County; Randall Mark – Director of Policy Analysis, Cook County Bureau of Health Services; Stephen Martin, PhD, MPH – Chief Operating Officer, Cook County Department of Public Health; Elizabeth Reidy - Deputy Chief, Civil Actions Bureau, Office of the State's Attorney; Kim Velazquez – Director of Budget, Stroger Hospital of Cook County; Jarese Wilson – Director, Cook County Department of Budget and Management

Ladies and Gentlemen:

Your Finance Committee of the Board of Directors of the Cook County Health and Hospitals System met pursuant to notice on Friday, July 18, 2008 at the hour of 8:00 A.M. at 1900 West Polk Street, Second Floor, in Chicago, Illinois.

Your Finance Committee has considered the following items and upon adoption of this report, the recommendations follow.

Roll Call

Secretary DeLeon called the roll of members, and it was determined that a quorum was present.

Remarks by Chairman David Carvalho

Chairman Carvalho presented opening remarks to the Committee. He stated that his intent for the meeting was to have common understanding as to the jurisdiction of the Finance Committee. He expected to receive an overview of processes with an emphasis on the Board's role. He believed that the Board expects to bring transparency and accountability to the process and to ensure that the System has the resources to meet its important mission.

Presentation by Patrick T. Driscoll, Jr.
Chief of the Civil Actions Bureau,
Office of the Cook County State's Attorney

Patrick T. Driscoll, Jr., Chief of the Civil Actions Bureau of the Office of the Cook County State's Attorney briefly addressed the Committee.

Finance Committee Rules

Motion for the Finance Committee to direct the Bureau Chief Operating Officer to work with the Office of the Cook County State's Attorney to develop Finance Committee Rules to be reviewed and approved by the Finance Committee.

Mr. Driscoll recommended that for continuity and uniformity, the System Board should adopt Rules that address the committees universally, and not adopt separate committee rules.

Chairman Carvalho inquired whether the Finance Committee could set its own policies and procedures once the System Board Rules are adopted.

Mr. Driscoll replied affirmatively, stating that first the Board should act by passing its Rules, then the committees can fill in the blanks; the Finance Committee can draft its own specific procedures on how it will deal with finance issues and contracts.

In response to a question from Director Butler regarding how far outside the current processes of the County the System Board can operate, Mr. Driscoll stated that the System Board is bound by County Ordinances with regard to requirements such as contract compliance.

Chairman Carvalho asked whether the System Board would have some flexibility to decide on some aspects.

Mr. Driscoll quoted Section 38.85 of the Ordinance creating the Systems Board, in which it states that the Board can adopt its own procurement policy, which could give them more flexibility.

Chairman Carvalho stated that the Finance Committee would forego action on the subject of drafting separate Committee Rules, as recommended by counsel.

Chairman Carvalho added that for future meetings the number of staff attending should decline, as questions related to the agenda could be asked prior to the meeting, thereby reducing the necessity for staff to be present at the meetings.

Discussion of Budgeting Issues

Chairman Carvalho requested a general overview of the previous and current status of budgeting issues.

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Randall Mark, Director of Policy Analysis for the Cook County Bureau of Health Services, informed the members that he was attending the meeting on behalf of David Small, Chief Operating Officer for the Bureau of Health Services.

Jarese Wilson, Director of the Cook County Department of Budget and Management, explained that they are in the middle of planning for the fiscal year 2009 budget. Because of the timing of budget deadlines not quite synchronizing with the timing of the establishment of the System Board, it was determined that the Bureau would initially use the Fiscal Year 2008 Budget as a place-holder for 2009. She added that the place-holder is a moving target, not a fixed number. At this point, the Department of Budget and Management is performing its internal analysis of the preliminary budget requests. It is planned that the President's recommended fiscal year 2009 budget will be presented to the Board by fall, with passage no later than February 28, 2009.

Director Golden inquired whether visual tools that explain the budget processes and timetable could be prepared; these tools should articulate the process of how the management teams are involved, how the forecasting is done, and how the Board is involved.

Ms. Wilson stated that the budget calendar is included in the Budget book under the Citizen Summary section.

Kim Velasquez, Director of Budget for Stroger Hospital of Cook County, stated that with regard to budget increases for fiscal year 2009, departments were given the directive to remain at the fiscal year 2008 levels, however, the projected expenditures related to personnel typically increase each year. She added that the System has an expenditure control team who compares actual expenses to budgeted expenditure figures, and report monthly on the results.

Director O'Donnell asked to whom these reports are submitted.

Ms. Velasquez stated that they were first given to the Chief Operating Officers of the entity, who then distribute the information to the departments.

Ms. Wilson stated that the Department of Budget and Management implemented performance-based budgeting, under which data is supplied by the using departments that allows the Department to develop statistics and reports on a monthly basis.

Director O'Donnell requested detailed information on which reports are given to whom and the process and information used to come up with the numbers.

Director Carvalho commented that using the Fiscal Year 2008 Health budget as a place-holder for fiscal year 2009 is unfortunate, but may be necessary due to budget deadlines and the timing of the organization of the System Board. He added that the timelines are difficult to reconcile perfectly.

Director Golden recognized the inability to synchronize, and added that it would be helpful if the Board were to retain the services of a consulting group to work with the senior management team to design a planning process.

Director O'Donnell suggested that the System Board organize a retreat, where in-depth discussion on long and short-range visions could take place.

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With regard to previous requests by Directors for reports and detailed information, Director Butler stated that there was a difference between governance and management.

Chairman Carvalho responded that there was no interest in the Board becoming Co-Chief Executive Officers, and agreed that reports should be designed for the Board to receive periodically for oversight, not co-management.

Mr. Driscoll outlined the provisions contained in Section 38.83 of the Ordinance creating the Board that pertain to budgeting.

Discussion of Revenue Issues

Chairman Carvalho asked how to deal with deviations from planned to actual, contained within a memo from Mr. Small to Cook County Commissioner Joseph Mario Moreno, which was previously distributed to the Board.

Mr. Mark replied that it is difficult, as positions cannot be filled. He added that quality suffers as a result.

Director Golden stated that the Board should set clear expectations of personnel and management. She also mentioned that she preferred information to be presented visually, similar to PowerPoint-type presentations.

Pitt Calkin, Interim Chief Financial Officer of the Bureau of Health Services, provided the members with a report on the 2008 revenue forecast and draft 2009 budget.

Mr. Calkin stated that the MedAssets contract will help determine the 2009 revenues. He believed that the estimate of reducing the projected revenue shortfall for 2008 by \$20 million as a result of entering into the contract with MedAssets is a reasonable figure.

Chairman Carvalho noted that a drop in Medicaid patients affects revenue, and an increase in self-insured affects expenditures, so attributing a decline in patient revenues to a change in payor mix was not, strictly speaking, correct. He also cautioned Directors, when looking at performance by System affiliate to keep in mind that the Medicaid reimbursement rate for each affiliate had been negotiated by the Bureau to be the same, even though the cost structure was different for each entity, so comparisons could be misleading.

Chairman Carvalho asked for information on the net tax revenue subsidy from the County to the Bureau since 1991.

Mr. Mark responded that the information was included in materials previously distributed to the Board. He noted that the tax subsidy in 1992 was 48.8% of operating expenses, while in 2007 the tax subsidy was 30.1% of operating expenses.

With regard to the moratorium on certain proposed federal Center for Medicare and Medicaid Services rules which would have adversely impacted System Medicaid revenues, Director O'Donnell asked whether there were any rules on reimbursement not covered by the moratorium.

Mr. Calkin responded that he would get back to her with the information.

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Director Carvalho asked whether the System should plan the budget on the assumption that the moratorium will remain in place.

Mr. Mark stated that it is assumed to remain in place. He added that the global rate structure for the System may be replaced in the future by an affiliate specific structure due to new policies by the State's Medicaid agency.

Director O'Donnell requested that the Bureau provide further information giving an overview of the rules and timeline with respect to the moratorium.

Mr. Mark replied affirmatively.

Discussion of Purchasing Issues

Mr. Calkin provided the members with an update on issues related to Procurement, and introduced Leslie Duffy, the Director for Procurement for the Bureau of Health Services.

Chairman Carvalho inquired whether the System had an internal audit function.

Mr. Calkin responded that the System did not presently have an internal audit function, but added that many individuals from the County Auditor's Office have been assigned to key positions in the System. He introduced Dorothy Loving, Provident Hospital's recently installed Chief Financial Officer, who worked for the Office of the County Auditor for twelve years.

Ms. Loving provided the members with a brief outline of her background.

Chairman Carvalho noted that staff were currently working on a replacement procurement policy. He asked for more information on the timeline.

Mr. Calkin responded that it was his intent to work with Ms. Duffy and Ms. Dunning on the policy as soon as possible.

Chairman Carvalho inquired regarding items requiring approval moving from the County Board to the System Board.

Elizabeth Reidy, Deputy Chief of the Civil Actions Bureau at the Office of the State's Attorney, explained the current County Board process for approval of items. She stated that the Board should determine and indicate to the Finance Committee what information it wants.

Discussion of Litigation Issues

Chairman Carvalho explained that the County Board has a subcommittee of their Finance Committee, the Litigation Subcommittee, which discusses litigation issues. He asked Ms. Reidy what is the intent of the County Board with regard to the System Board on litigation issues.

Ms. Reidy responded that the County Board retained settlement and negotiation authority. Currently a form exists that is executed by a representative from the Bureau or hospital in which

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they concur or not with the recommendation of the State's Attorney. The System Board can place a mechanism in the form that indicates their approval and concurrence or disapproval. She cautioned against creating layers with regard to this, however, as litigation negotiations can be time-sensitive.

Mr. Driscoll added that currently the State's Attorney has up to \$100,000 of settlement authority without the approval of the Litigation Subcommittee.

In response to a question regarding the self-insurance fund, Mr. Driscoll indicated that the County Board retained the risk and authority for this.

Other Committee Business

Stephen Martin, PhD, MPH, Chief Operating Officer of the Cook County Department of Public Health provided the members with an update on the Case Management Program Service Reduction.

He read the following information regarding the update into the record:

- Family case management WILL continue for non-high risk clients. It is a state responsibility to identify providers and fund the program. With the System Board's action on Friday, the state has indicated to us that they are now able to move forward and have already identified and contacted several eager providers. A letter stating this fact has been requested and will be shared with the board upon its receipt.
- Although case management will no longer be provided for non-high risk clients by CCDPH, CCDPH WILL continue providing categorical case management as it relates to our statutory responsibilities (i.e., APORS, Lead Poisoning Case Management, Genetic Case Management, etc.) [see Attachment 1.]. Thus, CCDPH is not out of the case management business. We are simply shifting our operational focus, based on economics, from non-mandated public health services to only our core mission and responsibility for protecting and promoting the health of suburban Cook County.
- Because this activity is a state (i.e., Illinois Department of Human Services(IDHS)) responsibility, the data for this program is under their control. Outcomes data such as infant mortality, birthweight, and preterm is not readily available to the case management service provider. Enclosed please find a FY 2006 and FY 2007 IDHS report on Infant Mortality for your review.
- If the county's ACHN was in a stronger operational position, they could potentially be selected as a provider by the IDHS and thus integrate their clinical care with this case management activity resulting in additional revenue above their Medicaid encounter rate. In the current operational set-up, this health department is not eligible for this revenue since we do not operate primary care clinics. However, providers in the suburbs will be selected by IDHS and will continue to offer the program to these clients. Please note that the state must select and contract with the providers of their program.
- All non-high risk clients are eligible for health insurance through the State of Illinois. The transition of this program DOES NOT impact client eligibility or access to All Kids coverage provided through the state of Illinois Department of Healthcare and Family Services. It is our current intention though to continue to complete MPE (Medicaid

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Presumptive Eligibility) applications for clients who have a positive pregnancy test and refer them to the case management provider for case management services and a primary care provider for medical services. It would then be the responsibility of the case management provider to assist the client in completion of the All Kids applications.

- The Illinois FY 2009 budget includes a 2% reduction in general revenue funds for Infant Mortality/Case Management and Outreach Services. With this state reduction and recent federal action related to case management, CCDPH is now monitoring the following 2 major grant funded programs [Women, Infants, and Children Supplemental Nutrition Program and Family Planning Program (Title X)] closely as well for their future operational impact in FY 2010. The analysis when completed by CCDPH will be presented to this committee as soon as possible in 2009.
- System Board's action on July 11, 2008 has allowed CCDPH to quickly move forward on the service reduction plan and to develop plans to minimize the employee displacement as best as possible. The final impact will not be available until the employee displacement process is fully completed.

Adjournment

Director Ramirez, seconded by Director Golden, moved to adjourn. THE MOTION CARRIED UNANIMOUSLY AND THE MEETING WAS ADJOURNED.

Respectfully submitted,
Finance Committee of the
Board of Directors of the
Cook County Health and Hospitals System



Mr. David Carvalho, Chairman

Attest:



Matthew B. DeLeon, Secretary

****The audio recording for this meeting is available from the Office of the Secretary to the Board,
118 North Clark Street, Room 567, Chicago, Illinois 60602.**